

HLIB Research

PP 9484/12/2012 (031413)

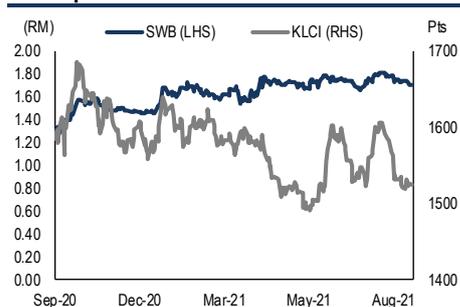
Nazira Abdullah
NurulNazira@hlib.hongleong.com.my
(603) 2083 1717
BUY (Maintain)

Target Price: RM2.58
Previously: RM2.58
Current Price: RM1.70

Capital upside	51.8%
Dividend yield	1.5%
Expected total return	53.3%

Sector coverage: Property

Company description: Sunway is a conglomerate that engages in property development, property investment, construction, leisure and hospitality, education, trading and manufacturing, building materials and healthcare.

Share price


	1M	3M	12M
Absolute	-6.1	-4.5	28.8
Relative	-1.1	-5.2	33.7

Stock information

Bloomberg Ticker	SWB MK
Bursa Code	5211
Issued Shares (m)	4,889
Market cap (RM m)	8,311
3-mth avg. volume ('000)	1,533
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

Major shareholders

Sungei Way Corp Sdn Bhd	56.9%
EPF	8.5%

Earnings summary

FYE (Dec)	FY20	FY21f	FY22f
PATMI – core (RM m)	331.9	276.3	501.5
EPS – core (sen)	5.7	4.7	8.5
P/E (x)	30.0	36.1	19.9

Sunway

Another land acquisition in Singapore

Sunway-Hoi Hup JV announced a land acquisition of residential freehold land at Thiam Siew Avenue, Tanjong Katong, Singapore for a total consideration of SGD815.0m (approximately RM2.51bn) and will be redeveloped into a new luxury private residential development (indicative GDV SGD2.0bn). We are positive as the group's effective GDV is expected to increase by c.5% to RM40.1bn with the proposed development. Based on sale price SGD815m, and a further estimated development charge of SGD284m, the implied land cost is SGD1,488 psf per plot ratio, on par with the recent acquisition of Flynn Park, Pasir Panjang (SGD 1,355 psf per plot ratio) as well as IOIPG's Marina View land acquisition (SGD1,378 psf per plot ratio). Furthermore, given the land's strategic location, we reckon that it will be well-received like Sunway's other ongoing projects. We maintain our forecast and BUY call with an unchanged TP of RM2.58 based on SOP-derived valuation.

NEWSBREAK

Sunway, through its joint venture vehicle with Singapore developer, Hoi Hup Realty Pte Ltd (30:70) has announced a land acquisition from the owners of 22 plots of residential freehold land at Thiam Siew Avenue, Tanjong Katong, Singapore for a total consideration of SGD815.0m (approximately RM2.51bn). The land currently comprises landed residential units with a total land area of approximately 263.8k sqft (approximately 6.06 acres) and will be redeveloped into a new luxury private residential development (indicative GDV SGD2.0bn) with an allowed plot ratio of 2.8 times, subject to authorities' approval.

The land is located in prime District 15 area on the fringes of Singapore Central Business District. It has excellent accessibility and connectivity to Dakota MRT station (600m away) and Paya Lebar MRT Interchange (800m away). The land also within close proximity to amenities and prominent education institutions.

HLIB'S VIEW

Positive. We are positive as the group's effective GDV is expected to increase by c.5% to RM40.1bn with the proposed development. Based on sale price SGD815m, and a further estimated development charge of SGD284m, the implied land cost is SGD1,488 psf per plot ratio, on par with the recent acquisition of Flynn Park, Pasir Panjang (SGD 1,355 psf per plot ratio) as well as IOIPG's Marina View land acquisition (SGD1,378 psf per plot ratio). Furthermore, given the land's strategic location, we reckon that it will be well-received like Sunway's other ongoing projects (Parc Central recorded a take up rate of 95% while Ki Residence's latest take up rate was 75%). The development is expected to be launch in 1Q23.

Gearing impact. Gearing will remain largely unchanged at 0.57x (as of 2Q21) since it's a JV company and Sunway only has a 30% stake in the JV.

Forecast. Maintain our forecast pending more details of the developments.

We maintain our **BUY** call with an unchanged **TP** of **RM2.58** based on SOP-derived valuation. Sunway remains our top pick given its well-integrated property, construction and building material operations. With its wide ranging business exposure, the group is a good proxy to the eventual economic recovery. Meanwhile, its efforts to expedite expansion of healthcare with its new strategic partner GIC, will culminate in the separate listing of healthcare unit to help unlock value in the group.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Cash	2,554.7	2,238.4	2,611.0	3,430.0	4,353.2
Placement in funds	376.4	100.3	100.3	100.3	100.3
Receivables	1,638.4	1,451.9	1,362.5	1,540.9	1,561.3
Inventories	748.5	607.4	624.5	706.2	715.6
Others	16,176.5	16,723.0	16,852.3	16,868.0	16,801.7
Assets	21,494.6	21,121.1	21,550.5	22,645.3	23,532.1
Payables	1,344.3	1,467.5	1,362.5	1,540.9	1,561.3
Debt	8,295.5	7,510.6	8,010.6	8,510.6	9,010.6
Others	2,421.3	1,804.5	1,804.5	1,804.5	1,804.5
Liabilities	12,061.0	10,782.6	11,177.5	11,855.9	12,376.3
Shareholder's equity	8,389.3	9,540.7	9,537.9	9,887.5	10,178.5
Minority interest	1,044.3	797.8	835.1	902.0	977.2
Perpetual bond	-	-	-	-	-
Equity	9,433.6	10,338.5	10,373.0	10,789.4	11,155.7

Cash Flow Statement

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Profit before taxation	865.3	512.5	365.0	703.4	779.9
D&A	233.6	236.5	242.7	247.5	251.8
Working capital	(310.5)	270.7	1.2	35.8	246.8
Taxation	(94.0)	(61.3)	(51.5)	(135.0)	(137.7)
JV and Associates	(113.3)	(41.8)	(105.8)	(80.7)	(141.7)
Perpetual bond	-	-	-	-	-
Others	(5.5)	(139.4)	-	-	-
CFO	689.0	777.2	451.6	770.9	999.0
Capex	(1,292.7)	(984.9)	(300.0)	(300.0)	(300.0)
Others	(67.2)	158.5	-	-	-
CFI	(1,359.9)	(826.4)	(300.0)	(300.0)	(300.0)
Changes in debt	1,059.6	(897.1)	500.0	500.0	500.0
Shares issued	-	977.8	-	-	-
Dividends	(305.9)	(253.6)	(88.0)	(151.9)	(275.8)
Others	(254.7)	38.6	(191.0)	-	-
CFF	499.0	(134.3)	221.0	348.1	224.2
Net cash flow	(172.0)	(183.5)	372.6	819.0	923.2
Forex	(2.9)	7.3	-	-	-
Others	195.7	(140.2)	(140.2)	(140.2)	(140.2)
Beginning cash	2,533.9	2,554.7	2,378.6	2,751.2	3,570.1
Ending cash	2,554.7	2,238.4	2,611.0	3,430.0	4,353.2

Income statement

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Revenue	4780.3	3829.1	4144.1	4686.8	4749.0
Operating cost	(3978.5)	(3344.5)	(3704.7)	(3880.6)	(3910.3)
EBITDA	801.8	484.5	439.4	806.2	838.6
D&A	(233.8)	(236.8)	(242.7)	(247.5)	(251.8)
Net Interest	36.2	31.4	17.9	4.0	(12.9)
JV & Associates	261.2	233.4	150.4	140.7	206.0
Pretax profit	865.3	512.5	365.0	703.4	779.9
Taxation	(78.4)	(102.0)	(51.5)	(135.0)	(137.7)
Minority Interest	(77.7)	(47.7)	(37.3)	(66.9)	(75.2)
Holders of Perpetual	0.0	0.0	0.0	0.0	0.0
PATAMI	709.2	362.8	276.3	501.5	566.9
Exceptionals	24.4	30.9	0.0	0.0	0.0
Core Earning	684.8	331.9	276.3	501.5	566.9
Basic shares (m)	5866.7	5866.7	5866.7	5866.7	5866.7
Consensus core PATMI			292.1	472.0	581.8
HLIB/ Consensus			95%	106%	97%

Valuation ratios

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Net DPS (sen)	9.1	1.5	2.6	4.7	5.3
Yield (%)	5.3	0.9	1.5	2.8	3.1
Core EPS (sen)	11.7	5.7	4.7	8.5	9.7
P/E (x)	14.6	30.0	36.1	19.9	17.6
Market capitalization (m)	9973.4	9973.4	9973.4	9973.4	9973.4
Net cash (m)	(5364.4)	(5171.9)	(5299.3)	(4980.3)	(4557.1)
Net gearing (%)	0.57	0.50	0.51	0.46	0.41
BV / share	1.6	1.8	1.8	1.8	1.9
P/BV (x)	1.1	1.0	1.0	0.9	0.9
ROA (%)	3.2	1.6	1.3	2.2	2.4
ROE (%)	7.3	3.2	2.7	4.6	5.1
Enterprise value	15337.8	15145.3	15272.7	14953.7	14530.5
EV/ EBITDA (x)	19.1	31.3	34.8	18.5	17.3

Margin ratios

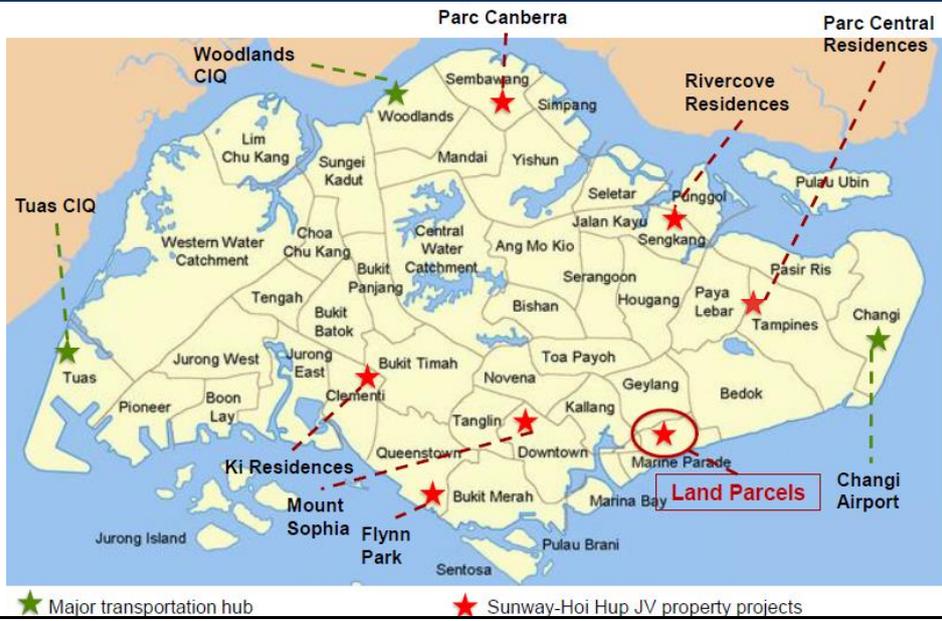
FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
EBITDA Margin	16.8	12.7	10.6	17.2	17.7
PBT Margin	18.1	13.4	8.8	15.0	16.4
PATMI	14.3	8.7	6.7	10.7	11.9

Figure #1 SOP table

Division	Stake	Value (RM m)	RM/share	Methodology
Construction (SunCon)	54.56%	1,315	0.27	Based on TP of RM 1.87
Sunway REIT	40.88%	1,932	0.40	Based on TP of RM 1.36
Property Development & Investment	100%	4,893	1.00	Discounted RNAV
Healthcare	84%	3,948	0.81	31x EV/EBITDA
Trading/Manufacturing	100%	295	0.06	10X trailing P/E
Quarry	100%	167	0.03	10X trailing P/E
Equity Value (RM)		12,551	2.58	

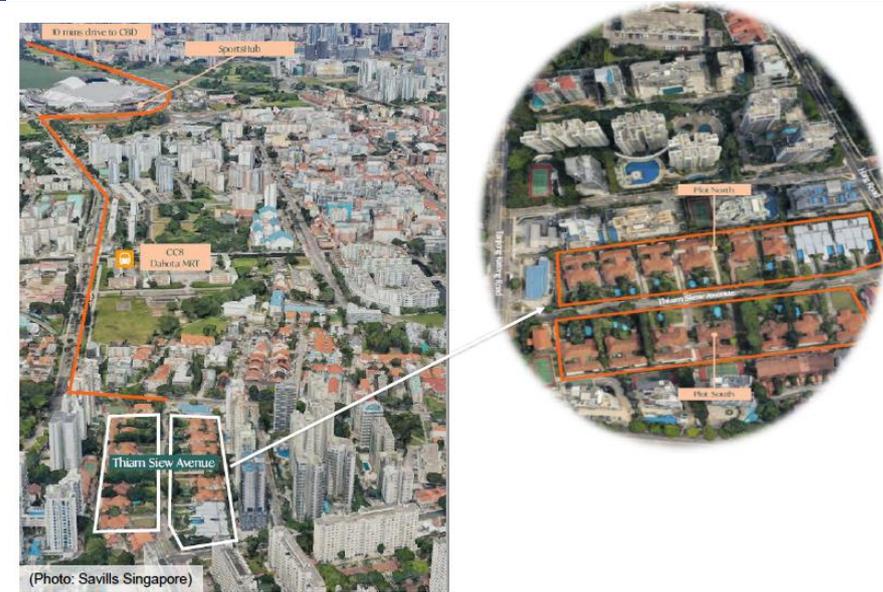
HLIB Research

Figure #2 Location



Sunway Berhad

Figure #3 Land Parcel



Sunway Berhad

Figure #4 Surrounding Amenities



Sunway Berhad

Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 22 November 2021, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -

2. As of 22 November 2021, the analyst(s) whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) -

Published & printed by:

Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.